



Accountants &  
business advisers

**GRENADA ELECTRICITY SERVICES LIMITED**

**REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED**

**31ST DECEMBER 2020**



**GRENADA ELECTRICITY SERVICES LIMITED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

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**GRENADA ELECTRICITY SERVICES LIMITED  
DIRECTORS AND OFFICERS**



**DIRECTORS:**

(As at 31 December, 2020)

Bert Brathwaite  
Winnifred Duncan-Phillip  
Ashton Frame  
Linda George- Francis  
Duane Noel  
Cleaver Williams

G. Robert Blanchard Jr. –Chairman- *resigned December 2020*  
Robert Blenker- *resigned December 2020*  
Robert Curtis- *resigned December 2020*  
Edward Parry- *resigned December 2020*  
Deborah Roseman - *resigned December 2020*  
Murray Skeete - *resigned December 2020*

**GENERAL MANAGER/ CEO:**

Collin Cover

**SECRETARY:**

Benedict Brathwaite

**REGISTERED OFFICE:**

Dusty Highway  
Grand Anse  
St. George's  
Grenada

**BANKERS:**

CIBC FirstCaribbean International Bank (Barbados) Limited  
Church Street  
St. George's, Grenada

Republic Bank (Grenada) Limited  
Republic House  
Grand Anse  
St. George's, Grenada

Cayman National Bank  
Grand Cayman  
Cayman Islands

RBTT Bank Grenada Limited  
Cnr. Cross & Halifax Streets  
St. George's, Grenada

Grenada Co-operative Bank Limited  
Church Street  
St. George's

The Bank of Tampa  
Florida, U.S.A.

**ATTORNEYS-AT-LAW:**

Mitchell & Co.  
Grand Anse,  
St. George's, Grenada

**AUDITORS:**

PKF  
Accountants and business advisers  
Pannell House  
Grand Anse  
St. George's, Grenada

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GRENADA ELECTRICITY SERVICES LIMITED

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Grenada Electricity Services Limited (the Company), which comprise the statement of financial position at 31<sup>st</sup> December, 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31<sup>st</sup> December, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Grenada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other information included in the Company's 2020 Annual Report*

Other information consists of the information included in the Company's 2020 Annual Report, other than the financial statements and our auditors report therein. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
GRENADA ELECTRICITY SERVICES LIMITED  
(continued)**

**Report on the Audit of the Financial Statements (continued)**

***Key Audit Matters***

Key audit matters are those matters that in our professional judgment were of most significance in our audit of the financial statements of the current year. These matters are addressed in the context of our audit of the financial statements as a whole, and in forming our opinions thereon, and we do not provide a separate opinion on these matters. There were no key audit matters to communicate.

***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
GRENADA ELECTRICITY SERVICES LIMITED  
(continued)**

**Report on the Audit of the Financial Statements (continued)**

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists; we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
GRENADA ELECTRICITY SERVICES LIMITED  
(continued)**

**Report on the Audit of the Financial Statements (continued)**

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Henry A. Joseph.

GRENADA

March 24<sup>th</sup>, 2021



Accountants & Business Advisers



**GRENADA ELECTRICITY SERVICES LIMITED**



**STATEMENT OF FINANCIAL POSITION AT 31ST DECEMBER, 2020**  
(Expressed in Eastern Caribbean Currency Dollars)

ASSETS	Notes	2020 \$	2019 \$
<b>Non-Current Assets</b>			
Property, plant and equipment	4	102,119,513	100,896,414
Right-of-use assets	5	2,792,693	2,809,205
Suspense jobs in progress	6	1,444,955	1,503,749
Capital work in progress	7	<u>7,326,586</u>	<u>2,946,611</u>
		<u>113,683,747</u>	<u>108,155,979</u>
<b>Current Assets</b>			
Inventories	9	26,183,870	20,609,568
Trade and other receivables	10	17,220,010	25,920,133
Income tax prepaid		809,300	-
Retirement benefits prepaid	15	63,585	-
Financial assets at amortised cost	8	36,452,150	34,437,204
Cash and cash equivalents	11	<u>9,727,362</u>	<u>16,600,292</u>
		<u>90,456,277</u>	<u>97,567,197</u>
<b>TOTAL ASSETS</b>		<u>204,140,024</u>	<u>205,723,176</u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Stated capital	12	32,339,840	32,339,840
Hurricane insurance reserve	16	30,000,000	28,000,000
Retained earnings		<u>44,120,105</u>	<u>39,893,891</u>
		<u>106,459,945</u>	<u>100,233,731</u>
<b>Non-Current Liabilities</b>			
Customers' deposits	13	17,812,606	17,268,893
Long-term borrowings	14	27,907,491	32,283,458
Long-term portion of lease liabilities	5	2,602,429	2,644,405
Deferred tax liability	21	<u>11,856,574</u>	<u>10,227,650</u>
		<u>60,179,100</u>	<u>62,424,406</u>
<b>Current Liabilities</b>			
Short-term borrowings	14	4,375,967	4,375,967
Trade and other payables	17	20,899,513	22,540,408
Current portion of lease liabilities	5	321,166	246,337
Customers' contribution to line extensions	2 (m)	7,140,290	7,282,723
Provision for retirement benefits	15	-	682,800
Provision for profit sharing		4,764,043	6,470,412
Provision for income tax		-	1,466,392
		<u>37,500,979</u>	<u>43,065,039</u>
<b>TOTAL LIABILITIES</b>		<u>97,680,079</u>	<u>105,489,445</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>204,140,024</u>	<u>205,723,176</u>

The accompanying notes form an integral part of these financial statements

Approved by the Board of Directors on 24<sup>th</sup> March, 2021 and signed on its behalf by:

:Director

:Director

**GRENADA ELECTRICITY SERVICES LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31ST DECEMBER, 2020**

(Expressed in Eastern Caribbean Currency Dollars)

	Notes	2020 \$	2019 \$
<b>INCOME</b>			
Sales - non fuel charge		82,649,287	90,180,659
- fuel charge		63,342,135	98,866,692
Unbilled sales adjustments	2 (v)	<u>(1,990,506)</u>	<u>(136,068)</u>
Gross Sales		144,000,916	188,911,283
Other income	18	<u>4,080,035</u>	<u>3,554,631</u>
Total income		<u>148,080,951</u>	<u>192,465,914</u>
<b>LESS: OPERATING EXPENSES</b>			
Production expenses		22,059,913	17,699,756
Diesel consumed		55,936,153	89,735,493
Administrative expenses		19,142,819	19,289,460
Distribution services		16,111,368	15,731,709
Planning and engineering		<u>2,818,214</u>	<u>3,029,991</u>
Total operating expenses		<u>116,068,467</u>	<u>145,486,409</u>
Operating profit		32,012,484	46,979,505
Less: Finance costs	19	<u>2,495,128</u>	<u>2,547,427</u>
Profit for year before allocations and taxation		<u>29,517,356</u>	<u>44,432,078</u>
<b>ALLOCATIONS</b>			
Less: Donations		1,375,868	2,121,604
Profit sharing		<u>6,182,042</u>	<u>7,910,137</u>
		<u>7,557,910</u>	<u>10,031,741</u>
Profit for year before taxation		21,959,446	34,400,337
Less: Provision for taxation			
Current tax	21	4,224,308	7,332,358
Deferred tax	21	<u>1,628,924</u>	<u>3,464,481</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>16,106,214</u>	<u>23,603,498</u>
<b>EARNINGS PER SHARE</b>		<u>0.85</u>	<u>1.24</u>

The accompanying notes form an integral part of these financial statements



**GRENADA ELECTRICITY SERVICES LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31ST DECEMBER, 2020**  
(Expressed in Eastern Caribbean Currency Dollars)

	Stated Capital \$	Hurricane Insurance Reserve \$	Retained Earnings \$	Total Equity \$
Balance at 1 <sup>st</sup> January, 2019	32,339,840	26,000,000	28,170,393	86,510,233
Dividends paid	-	-	(9,880,000)	(9,880,000)
Allocation for the year	-	2,000,000	(2,000,000)	-
Total comprehensive income for the year: Profit for the year after taxation	-	-	<u>23,603,498</u>	<u>23,603,498</u>
Balance at 31 <sup>st</sup> December, 2019	32,339,840	28,000,000	39,893,891	100,233,731
Dividends paid	-	-	(9,880,000)	(9,880,000)
Allocation for the year	-	2,000,000	(2,000,000)	-
Total comprehensive income for the year: Profit for the year after taxation	-	-	<u>16,106,214</u>	<u>16,106,214</u>
Balance at 31 <sup>st</sup> December, 2020	<u>32,339,840</u>	<u>30,000,000</u>	<u>44,120,105</u>	<u>106,459,945</u>

The accompanying notes form an integral part of these financial statements

**GRENADA ELECTRICITY SERVICES LIMITED**



**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31ST DECEMBER, 2020  
(Expressed in Eastern Caribbean Currency Dollars)**

<b>OPERATING ACTIVITIES</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Profit for the year before taxation	21,959,446	34,400,337
Adjustments for:		
Depreciation on property, plant and equipment and right-of-use assets	8,351,493	7,826,965
Gain on disposal of property, plant and equipment	<u>(99,058)</u>	<u>(80,500)</u>
<b>Operating surplus before working capital changes</b>	<b>30,211,881</b>	<b>42,146,802</b>
Decrease/(increase) in trade and other receivables	8,700,123	(1,276,732)
(Decrease)/increase in trade and other payables	(1,640,895)	2,392,208
Increase in consumers' deposits	543,713	743,375
(Decrease)/increase in consumers' contribution to line extensions- refundable	(142,433)	996,049
(Decrease)/increase in provision for retirement benefits	(746,385)	489,246
Increase in inventories	(5,574,302)	(2,517,812)
Decrease in amount due to related company	-	(117,489)
(Decrease)/increase in provision for profit sharing	<u>(1,706,369)</u>	<u>1,694,487</u>
	29,645,333	44,550,134
Income tax paid	<u>(6,500,000)</u>	<u>(6,640,196)</u>
Cash provided by operating activities	<u>23,145,333</u>	<u>37,909,938</u>
<b>INVESTING ACTIVITIES</b>		
Disposal of property, plant and equipment	1,213,655	80,500
Decrease in suspense jobs in progress	58,794	654,391
(Increase)/decrease in capital work in progress	(4,379,975)	5,678,423
Increase in financial assets	(2,014,946)	(1,979,889)
Decrease in customers' contribution to line extensions- non-refundable	(737,700)	(1,779,091)
Purchase of property, plant and equipment	<u>(9,579,913)</u>	<u>(18,808,807)</u>
Cash used in investing activities	<u>(15,440,085)</u>	<u>(16,154,473)</u>
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(9,880,000)	(9,880,000)
Payment of principal portion of lease liabilities	(322,211)	(221,685)
Proceeds from borrowings	-	3,718,000
Repayment of borrowings	<u>(4,375,967)</u>	<u>(4,097,117)</u>
Cash used in financing activities	<u>(14,578,178)</u>	<u>(10,480,802)</u>
Net (decrease)/increase in cash and cash equivalents	(6,872,930)	11,274,663
Cash and cash equivalents - at the beginning of year	<u>16,600,292</u>	<u>5,325,629</u>
- at the end of year	<u>9,727,362</u>	<u>16,600,292</u>
<b>REPRESENTED BY</b>		
Cash and cash equivalents	<u>9,727,362</u>	<u>16,600,292</u>

The accompanying notes form an integral part of these financial statements

## GRENADA ELECTRICITY SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020

#### 1. CORPORATE INFORMATION

Grenada Electricity Services Limited (the Company) is public and is registered in Grenada. It is engaged in the generation and supply of electricity throughout Grenada, Carriacou and Petit Martinique.

The Government of Grenada owns the majority of its shares (71.4%) as of December 24<sup>th</sup>, 2020. For the 26 years prior, the Company was a subsidiary of Grenada Private Power Limited of which WRB Enterprises, Inc. was the majority owner.

The Company was issued a certificate of continuance under Section 365 of the Companies Act on November 8<sup>th</sup>, 1996.

The Company operates under the Electricity Act 19 of 2016 and has a licence for the exercise and performance of functions relating to the supply of electricity in Grenada. The Company is listed on the Eastern Caribbean Securities Exchange.

The registered office is situated at Grand Anse, St. George's, Grenada.

The Company employed on average two hundred and fifty-one (251) persons during the year (2019- 246).

#### 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### *(a) Basis of Preparation*

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention.

The preparation of financial statements in conformity with IFRS's requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Although those estimates are based on management's best knowledge of current events and conditions, actual results could differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.



**GRENADA ELECTRICITY SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2020  
(continued)**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

***(b) Changes in accounting policies and disclosures***

***(i) New Accounting Standards, Amendments and Interpretations***

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31<sup>st</sup>, 2019 except for the adoption of new standards and interpretations below.

***Amendments to IAS 1 and IAS 8: Definition of Material (Effective 1<sup>st</sup> January, 2020)***

In October 2018, the International Accounting Standards Board (IASB) issued amendments to IAS 1: Presentation of financial Statements and IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments to the definition of material is not expected to have significant impact on the Company's financial statements.

***(ii) Standards in issue not yet effective***

The following is a list of standards and interpretations that are not yet effective up to the date of issuance of the Company's financial statements. These standards and interpretations may be applicable to the Company at a future date and will be adopted when they become effective. The Company is currently assessing the impact of adopting these standards and interpretations.

- Amendments to IFRS 16 – Covid-19 Related Rent Concessions (Effective 1 June, 2020)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Phase 2 (Effective 1 January, 2021)
- Amendments to IFRS 17, IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use (Effective 1 January, 2022)

**GRENADA ELECTRICITY SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2020  
(continued)**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(b) Changes in accounting policies and disclosures (continued)**

**(ii) Standards in issue not yet effective (continued)**

- Amendments to IFRS 3 – Reference to the Conceptual Framework – (Effective 1 January, 2022)
- Amendments to IAS 37 - Onerous Contracts, Costs of Fulfilling a Contract – (Effective 1 January, 2022)
- Amendments to IAS 1 – Classification of Liabilities as Current and Non-Current – (Effective 1 January, 2023)
- Amendments to IFRS 4 – Extension of Temporary Exemption from applying IFRS 9 – (Effective 1 January, 2022)

**(iii) Improvements to International Reporting Standards**

The annual improvements process for the International Accounting Standards Board deals with non-urgent but necessary clarifications and amendments to IFRS.

**Annual improvements to IFRS Standards 2018-2020 cycle**

The following amendments are applicable to annual periods beginning on or after 1 January, 2022

**IFRSs – Subject of Amendment**

IFRS 1	First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter.
IFRS 9	Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities.
IFRS 16	Leases – Lease incentives
IAS 41	Agriculture – Taxation in fair value measurements



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2020  
(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) *Property, Plant and Equipment (continued)*

Historical cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized as income in the statement of comprehensive income.

*Subsequent Expenditure*

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing and other repairs and maintenance of property, plant and equipment are recognized in the statement of comprehensive income during the financial period in which they are incurred.

*Depreciation*

Depreciation is recognized in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land and rights are not depreciated. No depreciation is provided on work-in-progress until the assets involved have been completed and available for use.

The annual rates of depreciation for the current and comparative periods are as follows:

	% Per Annum
Building and construction	2.5 - 10
Plant and machinery	3.3 - 10
Motor vehicles	15
Furniture, fittings and equipment	12.5 – 20

**GRENADA ELECTRICITY SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2020**

(continued)

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*(c) Property, Plant and Equipment (continued)*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

*(d) Foreign Currencies Translation*

Foreign currency transactions during the year were converted into Eastern Caribbean Currency Dollars at the exchange rates prevailing at the dates of the transactions. Assets and liabilities at the statement of financial position date are expressed in EC\$ at the following rate:

EC\$2.7169 to US\$1.00 - (2019: EC\$2.7169)

Differences on exchange on current liabilities are reflected in the statement of comprehensive income in arriving at net income for the year.

*(e) Financial Instruments*

Financial assets and financial liabilities are recognised on the statement of financial position when the Company becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value.

*Financial assets*

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2020  
(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) *Financial Instruments (continued)*

*Classification of financial assets*

Debt instruments that meet the following conditions are subsequently measured at **amortised cost**:

- the financial asset is held in order to collect contractual cash flows; and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Debt instruments that meet the following conditions are subsequently measured at **fair value through other comprehensive income (FVTOCI)**:
    - the financial asset is held with the objective to achieve by both collecting contractual cash flows and selling the financial assets; and
    - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at **fair value through profit or loss (FVTPL)**.

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

*Amortised cost and effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.



**GRENADA ELECTRICITY SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2020**

(continued)

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*(e) Financial Instruments (continued)*

*Amortised cost and effective interest method (continued)*

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

***Impairment***

In relation to the impairment of financial assets, the Company uses an expected credit loss (ECL) model which requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

The Company records an allowance for expected credit losses for its trade receivables using a simplified approach to calculate ECLs whereby it recognizes a loss allowance based on lifetime ECLs at each reporting date. The ECL on these financial assets are estimated using a provision matrix that is based on its' historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The provision rates used in the provision matrix are based on days past due.

**GRENADA ELECTRICITY SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2020  
(continued)**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*(e) Financial Instruments (continued)*

*Impairment (continued)*

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If on the other hand the credit risk on a financial instrument has not increased significantly since initial recognition the Company recognizes the loss allowance for the financial instrument at an amount equal to 12-month ECL where applicable. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or actual default occurring.

Lifetime ECL represents the expected credit losses that will result for all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset has occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (i) Significant financial difficulty of the issuer or borrower;
- (ii) A breach of contract, such as a default or past due event;
- (iii) It is becoming probable that the borrower will enter in bankruptcy or other financial re-organization; and
- (iv) The disappearance of an active market for that financial asset because of financial difficulties.

*Write-off policy*

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.



**GRENADA ELECTRICITY SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2020**

(continued)

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) Financial Instruments (continued)**

*Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve and does not reduce the carrying amount of the financial asset in the statement of financial position.

*Derecognition of financial assets*

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

**GRENADA ELECTRICITY SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2020  
(continued)**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*(e) Financial Instruments (continued)*

*Financial liabilities and equity instruments*

*Classification as debt or equity*

Debt and equity instruments issued by a Company entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Company entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

*Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Company are measured in accordance with the specific accounting policies set out below.

*Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is:

- 1) contingent consideration of an acquirer in a business combination,
- 2) held for trading, or
- 3) it is designated as at FVTPL.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2020  
(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) *Financial Instruments (continued)*

*Financial liabilities subsequently measured at amortised cost:*

Financial liabilities that are not:

- 1) contingent consideration of an acquirer in a business combination,
- 2) held-for-trading, or
- 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

*Derecognition of financial liabilities*

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(f) *Inventories*

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition and net realizable value. Cost is determined on a first-in, first-out basis. Net realizable value is the price at which stock can be realized in the normal course of business.

(g) *Trade receivables*

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

**GRENADA ELECTRICITY SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2020**

(continued)

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(g) Trade receivables (continued)**

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Trade receivables, being short-term, are not discounted. The Company used a provision matrix to calculate its provision for expected credit loss.

**(h) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and at bank and short-term demand deposits with original maturity of three (3) months or less.

**(i) Stated capital**

Ordinary shares are classified as equity.

**(j) Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

**(k) Borrowings**

Borrowings are recognised at fair value net of transaction cost incurred. Borrowings are subsequently stated at amortized cost: any difference between the proceeds, net of transaction cost, and the redemption value is recognised in the statement of comprehensive income over the period of borrowings. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve (12) months after the date of the statement of financial position.

**(l) Customers' deposits**

Given the long-term nature of the customer relationship, customer deposits are shown in the statement of financial position as non-current liabilities (i.e. not likely to be repaid within twelve (12) months of the date of the statement of financial position).

**GRENADA ELECTRICITY SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2020**

(continued)

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(m) Customers' contribution to line extensions**

In certain specified circumstances, customers requiring line extensions are required to contribute toward the estimated capital cost of the extensions. Consumer contributions from 2018 that are not eligible for refund are recognised in income in the same period in which the costs are incurred.

Contributions prior to 2018 are amortised over the estimated useful lives of the relevant capital cost at an annual rate of 4.5%. The annual amortisation of customer contributions is deducted from the depreciation charge for Transmission and Distribution provided in respect of the capital cost of these line extensions.

Contributions in excess of the applicable capital cost of line extensions are recorded as other revenue in the period in which they are completed. Contributions received in respect of jobs not yet started or completed at the year-end are grouped with creditors, accrued charges and provisions. The capital costs of customer line extensions are included in property, plant and equipment.

**(n) Employee benefits**

*Profit sharing scheme*

The Company operates a profit-sharing scheme and the profit share to be distributed to Unionized employees each year is based on the terms outlined in the Union Agreement. Employees receive their profit share in cash. The Company accounts for profit sharing as an expense, through the statement of comprehensive income. The Company also has a gainsharing plan for management employees that are accounted for in the same manner as profit sharing.

**(o) Income tax**

The charge for the current year is based on the results for the year as adjusted for disallowed expenses and non-taxable income. It is calculated using the applicable tax rates for the period.

**(p) Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.



**GRENADA ELECTRICITY SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2020  
(continued)**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(q) Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities.

**(i) Sale of energy**

Revenue from energy sales is based on meter readings, which are carried out on a rotational basis throughout each month. A provision of 50% of the current month's billings is made to record unbilled energy sales at the end of each month. This estimate is reviewed periodically to assess reasonableness and adjusted where required. The provision for unbilled sales is included in accrued income.

**(ii) Interest income**

Interest income is recognised on an accrual basis.

**(r) Dividends**

Dividends that are proposed and declared during the period are accounted for as an appropriation of retained earnings in the statement of changes in equity.

Dividends that are proposed and declared after the statement of financial position date are not shown as a liability on the statement of financial position but are disclosed as a note to the financial statements.

**(s) Related parties**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. Transactions entered into with related parties in the normal course of business are carried out on commercial terms and conditions during the year.

**(t) Finance costs**

Finance costs are recognised in the statement of comprehensive income as an expense in the period in which they are incurred.

**GRENADA ELECTRICITY SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2020  
(continued)**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

***(u) Provision for impairment of trade receivables***

Provision is made as follows:

100% on receivables  $\geq$  90 days

50% on receivables  $\geq$  60 days

3% on receivables  $\geq$  30 days

0.5% on receivables < 30 days

Accounts are written off against the provision when they are considered uncollectible. The total provision at 31st December 2020 amounted to \$3,081,184 (2019 - \$3,340,520).

***(v) Provision for unbilled sales***

The provision and adjustment at 31st December 2020, with comparatives, are calculated as follows:

	2020	2019
	\$	\$
Sales revenue for December after discounts	<u>11,767,818</u>	<u>15,748,830</u>
50% of above = provision at 31/12/20	5,883,909	7,874,415
= provision at 31/12/19	<u>7,874,415</u>	<u>8,010,483</u>
Decrease in provision during the year	<u>(1,990,506)</u>	<u>(136,068)</u>

***(w) Leases***

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2020  
(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Leases

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

• Buildings	3 to 5 years
• Land	3 to 60 years
• Equipment	25 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2020  
(continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

*(w) Leases (continued)*

After the commencement date, the amount of lease liabilities is increased to reflect accrued interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The development of estimates and the exercise of judgment in applying accounting policies may have a material impact on the Company's reported assets, liabilities, revenues and expenses. The items which may have the most effect on these financial statements are set out below.

*(a) Impairment of financial assets*

Management assesses at each statement of financial position date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

*(b) Property, plant and equipment*

Management exercises judgment in determining whether future economic benefits can be derived from expenditures to be capitalized and in estimating the useful lives and residual values of these assets.

*(c) Impairment of inventory*

Provision is made for slow-moving and obsolete stock on an annual basis.

*(d) Provision for expected credit losses of trade receivables*

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2020  
(continued)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

*(d) Provision for expected credit losses of trade receivables (continued)*

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

*(e) Unbilled sales*

A provision of 50% of the current month's billing is made to record unbilled energy sales at the end of each month. This estimate is reviewed periodically to assess reasonableness and adjusted where required. The actual energy sales will be different from the estimate made.

*(f) Impact of COVID 19*

***Background***

COVID-19, which is a respiratory illness caused by a new virus, was declared a world-wide pandemic by the World Health Organisation on March 11, 2020. The Company has considered the impact of COVID-19 in preparing its financial statements.

***Consideration of the statements of financial position and further disclosures***

Key considerations of the impact of COVID-19 on statements of financial position and related disclosures were as follows:

**GRENADA ELECTRICITY SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2020**

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (continued)**

*(f) Impact of COVID-19 (continued)*

Expected Credit Losses

Trade and other receivables:

For trade and other receivables, the Company adopted the simplified approach for determining the provision for expected credit losses, as permitted by IFRS 9. In response to the COVID-19 pandemic, the Company assessed the need to adjust the loss rates to incorporate forward-looking information, taking into account the expected recovery rate of receivables and various applicable macroeconomic factors. Based on the analysis performed as at 31 December 2020, no material overlay adjustments specifically related to the COVID-19 pandemic was considered necessary.

***Going concern***

In accordance with the requirements of IAS 1 'Presentation of Financial Statements', the Company has performed a going concern assessment as of the reporting date. While the COVID-19 pandemic has heightened the inherent uncertainty in the going concern assessment, the Company has concluded that there are no material uncertainties that may cast significant doubt on its ability to continue to operate as a going concern. The financial statements have therefore been prepared on the going concern basis.



**GRENADA ELECTRICITY SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2020**  
(continued)

**4. PROPERTY, PLANT AND EQUIPMENT**

	Land	Building and Construction	Plant and Machinery	Motor Vehicles	Furniture and equipment	Total
<b>Balance at 1<sup>st</sup> January, 2019</b>						
Cost	1,864,860	30,586,994	247,001,496	14,213,269	13,136,538	306,803,157
Accumulated depreciation	-	<u>(19,367,992)</u>	<u>(176,634,314)</u>	<u>(9,790,074)</u>	<u>(8,844,701)</u>	<u>(214,637,081)</u>
<b>NET BOOK VALUE</b>	<b><u>\$1,864,860</u></b>	<b><u>\$11,219,002</u></b>	<b><u>\$70,367,182</u></b>	<b><u>\$4,423,195</u></b>	<b><u>\$4,291,837</u></b>	<b><u>\$92,166,076</u></b>
<b>For year ended 31<sup>st</sup> December, 2019</b>						
Opening book value	1,864,860	11,219,002	70,367,182	4,423,195	4,291,837	92,166,076
Additions for the year	-	677,285	16,284,185	1,175,659	671,678	18,808,807
Disposals for the year	-	-	-	-	-	-
Depreciation charge for year	-	<u>(609,533)</u>	<u>(4,843,892)</u>	<u>(918,810)</u>	<u>(1,151,508)</u>	<u>(7,523,743)</u>
<b>NET BOOK VALUE</b>	<b><u>\$1,864,860</u></b>	<b><u>\$11,286,754</u></b>	<b><u>\$81,807,475</u></b>	<b><u>\$4,680,044</u></b>	<b><u>\$3,812,007</u></b>	<b><u>\$103,451,140</u></b>
<b>Balance at 31<sup>st</sup> December, 2019</b>						
Cost	1,864,860	31,264,279	263,285,681	15,388,928	13,808,216	325,611,964
Accumulated depreciation	-	<u>(19,977,525)</u>	<u>(181,478,206)</u>	<u>(10,708,884)</u>	<u>(9,996,209)</u>	<u>(222,160,824)</u>
Less: Customer contribution to line extensions	-	-	-	-	-	(2,554,726)
<b>NET BOOK VALUE</b>	<b><u>\$1,864,860</u></b>	<b><u>\$11,286,754</u></b>	<b><u>\$81,807,475</u></b>	<b><u>\$4,680,044</u></b>	<b><u>\$3,812,007</u></b>	<b><u>\$100,896,414</u></b>



**GRENADA ELECTRICITY SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2020**

(continued)

**4. PROPERTY, PLANT AND EQUIPMENT**

**For year ended 31<sup>st</sup> December, 2020**

	Land	Building and Construction	Plant and Machinery	Motor Vehicles	Furniture and equipment	Total
Opening book value	1,864,860	11,286,754	81,807,475	4,680,044	3,812,007	103,451,140
Additions for the year	-	357,995	7,245,725	619,448	1,356,745	9,579,913
Disposals for the year	-	-	(1,110,270)	-	(4,326)	(1,114,596)
Depreciation charge for year	-	(642,568)	(5,249,292)	(1,065,469)	(1,022,589)	(7,979,918)

**NET BOOK VALUE**

	<u>\$1,864,860</u>	<u>\$11,002,181</u>	<u>\$82,693,638</u>	<u>\$4,234,023</u>	<u>\$4,141,837</u>	<u>\$103,936,539</u>
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**Balance at 31<sup>st</sup> December, 2020**

Cost	1,864,860	31,622,274	269,421,136	16,008,376	15,160,640	334,077,286
Accumulated depreciation	-	(20,620,093)	(186,727,498)	(11,774,353)	(11,018,803)	(230,140,747)

Less: Customer contribution to line extensions

	-	-	-	-	-	(1,817,026)
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**NET BOOK VALUE**

	<u>\$1,864,860</u>	<u>\$11,002,181</u>	<u>\$82,693,638</u>	<u>\$4,234,023</u>	<u>\$4,141,837</u>	<u>\$102,119,513</u>
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GRENADA ELECTRICITY SERVICES LIMITED



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2020  
(continued)

5. LEASES

The Company has lease contracts for various items of land and buildings and other equipment used in its operations. Leases of land and equipment generally have lease terms between 20 to 60 years, while buildings generally have lease terms between 3 and 5 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	<u>Building</u>	<u>Land</u>	<u>Equipment</u>	<u>Total</u>
As at 1 January 2020	448,290	2,348,457	12,458	2,809,205
Additions	<u>146,972</u>	<u>208,092</u>	-	<u>355,064</u>
Depreciation expense	595,262 (207,028)	2,556,549 (163,898)	12,458 (650)	3,164,299 (371,576)
As at 31 December 2020	<u>\$388,234</u>	<u>\$2,392,651</u>	<u>\$11,808</u>	<u>\$2,792,693</u>

Set out below are the carrying amount of lease liabilities and the movements during the period:

	2020	2019
As at 1 January 2020	2,890,742	3,112,427
Additions	355,064	-
Accretion of interest	151,335	136,406
Payments	<u>(473,546)</u>	<u>(358,091)</u>
As at 31 December 2020	\$2,923,595	\$2,890,742
Less: current portion	<u>\$321,166</u>	<u>\$246,337</u>
Long-term portion	<u>\$2,602,429</u>	<u>\$2,644,405</u>

6. SUSPENSE JOBS IN PROGRESS

This represents capital injections with respect to requested customers' suspense jobs not completed at year-end.



**GRENADA ELECTRICITY SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2020**

(continued)

**7. CAPITAL WORK IN PROGRESS**

	2020	2019
	\$	\$
Generation	4,687,664	1,650,168
Computers and software upgrades	2,385	70,473
Tools and test equipment	187,537	42,416
Building	756,968	265,987
Furniture and equipment	736,002	84,795
Distribution	215,876	832,772
Motor vehicles	<u>740,154</u>	<u>-</u>
	<u>7,326,586</u>	<u>2,946,611</u>

**8. FINANCIAL ASSETS**

*Amortised cost*

Government of Grenada - Treasury Bills	800,132	800,066
Fixed deposit – Republic Bank (Grenada) Limited	12,789,582	10,952,219
Fixed deposit – Grenada Co-operative Bank Limited	12,381,010	9,453,008
Fixed deposit – RBTT Bank Grenada Limited	10,481,426	10,470,931
US\$ certificate of deposit- Cayman National	<u>-</u>	<u>2,760,980</u>
	<u>36,452,150</u>	<u>34,437,204</u>

Included in the above is an amount of \$30,004,554 for Hurricane Insurance Reserve invested in Treasury Bills and fixed deposits held with the Republic Bank (Grenada) Limited, RBTT Bank Grenada Limited, and the Grenada Co-operative Bank Limited.

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2020  
(continued)

9. INVENTORIES

	2020	2019
	\$	\$
The following is a breakdown of stock on hand:		
Motor vehicle spares	1,367,616	1,324,746
Distribution	7,161,236	6,749,587
Generation spares	15,790,777	10,711,541
Fuel and lubricating oil	356,947	510,644
General stores	<u>3,386,244</u>	<u>2,770,142</u>
	28,062,820	22,066,660
Less: Obsolescence provision	<u>1,878,950</u>	<u>1,457,092</u>
	<u>26,183,870</u>	<u>20,609,568</u>

10.(a) TRADE AND OTHER RECEIVABLES

Customers' accounts	12,477,625	19,066,904
Less: Provision for impairment of trade and other receivables	<u>3,035,055</u>	<u>3,295,436</u>
Trade receivables- net	<u>9,442,570</u>	<u>15,771,468</u>
Other debtors	911,532	936,371
Less: Provision for impairment of other debtors	<u>46,129</u>	<u>45,084</u>
	<u>865,403</u>	<u>891,287</u>
	10,307,973	16,662,755
Provision for unbilled sales	5,883,909	7,874,415
Prepayments	<u>1,028,128</u>	<u>1,382,963</u>
	<u>17,220,010</u>	<u>25,920,133</u>

**GRENADA ELECTRICITY SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AT 31ST DECEMBER, 2020**  
 (continued)

**10. (a) TRADE AND OTHER RECEIVABLES (continued)**

As of the statement of financial position date, the lifetime expected loss provision for trade receivables is as follows:

	30 days	31- 60 days	61-90 days	Over 90 days	Total
Expected loss rate	0.5%	3%	50%	100%	
Gross carrying amount	\$7,697,723	\$1,718,589	\$232,973	\$2,828,340	\$12,477,625
Loss provision	\$38,670	\$51,558	\$116,487	\$2,828,340	<u>\$3,035,055</u>
					<u>\$9,442,570</u>

**10. (b) PROVISION FOR IMPAIRMENT OF TRADE AND OTHER RECEIVABLES**

	2020	2019
	\$	\$
<b>(i) Customers' accounts</b>		
As at December 31 <sup>st</sup> , 2019	3,295,436	3,462,155
Net change in provision	<u>(260,381)</u>	<u>(166,719)</u>
As at December 31 <sup>st</sup> , 2020	<u>3,035,055</u>	<u>3,295,436</u>
<b>(ii) Other debtors</b>		
As at December 31 <sup>st</sup> , 2019	45,084	8,218
Net change in provision	<u>1,045</u>	<u>36,866</u>
As at December 31 <sup>st</sup> , 2020	<u>46,129</u>	<u>45,084</u>



**GRENADA ELECTRICITY SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2020  
(continued)**

**11. CASH AND CASH EQUIVALENTS**

	2020	2019
	\$	\$
Cash on hand	7,200	7,200
Bank of Tampa	-	596,453
Republic Bank (Grenada) Limited	5,803,287	13,540,842
CIBC First Caribbean International Bank Limited	3,568,915	2,190,752
Grenada Co-operative Bank Limited	<u>347,960</u>	<u>265,045</u>
Cash and cash equivalents in the statement of cash flows	<u>9,727,362</u>	<u>16,600,292</u>

**12. STATED CAPITAL**

Authorised		
25,000,000 ordinary shares of no par value		
Issued and fully paid		
19,000,000 ordinary shares of no par value	<u>32,339,840</u>	<u>32,339,840</u>

**13. CUSTOMERS' DEPOSITS**

All customers are required in accordance with the 2016 Electricity Act (EA) Schedule 1 to provide a security deposit, which is normally equivalent to one (1) month's consumption. Interest accrued is credited to customers' accounts in the first billing cycle of the year. The cash deposit is refunded with accumulated interest when the account is terminated.

GRENADA ELECTRICITY SERVICES LIMITED



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2020  
(continued)

14. BORROWINGS

	2020	2019
	\$	\$
<i>Long-term</i>		
CIBC First Caribbean International Bank Limited	32,283,458	36,659,425
Less: Current portion	<u>4,375,967</u>	<u>4,375,967</u>
Total long-term	<u>27,907,491</u>	<u>32,283,458</u>
<i>Short-term</i>		
Total short-term	<u>4,375,967</u>	<u>4,375,967</u>
Total borrowings	<u>32,283,458</u>	<u>36,659,425</u>

On February 29, 2016 the Company signed a Mortgage Debenture with CIBC First Caribbean International Bank (Barbados) Limited (the Bank) for a credit facility of up to XCD\$48,050,000.00.

The loan bears interest at a rate of 4.75% per annum over the first five years and thereafter the interest will be the prime rate less 5.90% subject to a floor of 3.60% per annum. Presently the prime rate is 8.50% per annum. The loan is amortized over a twelve-year period and repayable via 32 quarterly principal payments of XCD\$1,001,041.67 with a balloon payment of XCD\$16,016,666.56. Interest will be paid quarterly in arrears and accrue on an actual/365-day basis. The facility is collateralized under a first priority mortgage obligation and debenture charge over the fixed and floating assets of the Borrower stamped to cover XCD\$48,050,000.

On August 15, 2019 the Company signed a Mortgage Debenture with CIBC First Caribbean International Bank (Barbados) Limited (the Bank) for a credit facility of \$3,718,000.00.

The loan bears interest at a rate of 4.75% per annum over the first five years and thereafter the interest will be the prime rate less 4.90% subject to a floor of 3.60% per annum. Presently the prime rate is 8.50% per annum. The loan is amortized over a ten-year period and repayable via 32 quarterly principal payments of XCD\$92,950.00 plus quarterly interest payments.

The Company has an overdraft facility of \$6 million with CIBC First Caribbean International Bank Limited with interest at the rate of 6% per annum.

GRENADA ELECTRICITY SERVICES LIMITED



NOTES TO THE FINANCIAL STATEMENTS  
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(continued)

15. PROVISION FOR RETIREMENT BENEFITS

The Company operates a defined contribution plan for its employees. Payment of benefits accrued is made upon the resignation or retirement of employees by the relevant Trust.

The balance of \$63,585 at the statement of financial position date relates to amounts receivable from the Trusts for December 2020.

16. PROVISION FOR HURRICANE INSURANCE RESERVE

	2020	2019
	\$	\$
Balance at beginning of year	28,000,000	26,000,000
Add: Provision for the year	<u>2,000,000</u>	<u>2,000,000</u>
Balance at end of year	<u>30,000,000</u>	<u>28,000,000</u>

17. TRADE AND OTHER PAYABLES

Trade creditors	4,808,413	8,628,048
Sundry creditors	7,992,800	7,107,117
Accrued expenses	<u>8,098,300</u>	<u>6,785,243</u>
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	<u>20,899,513</u>	<u>22,520,408</u>

18. OTHER INCOME

Sundry revenue	3,980,977	3,474,131
Gain on disposal of fixed assets	<u>99,058</u>	<u>80,500</u>
	<u>4,080,035</u>	<u>3,554,631</u>



GRENADA ELECTRICITY SERVICES LIMITED



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2020  
(continued)

19. FINANCE COSTS

	2020	2019
	\$	\$
Bank loans/Bond interest	1,812,989	1,892,684
Other bank interest	12,080	5,980
Other	<u>670,059</u>	<u>648,763</u>
	<u>2,495,128</u>	<u>2,547,427</u>

20. RELATED PARTY TRANSACTIONS

i) The following transactions were carried out with WRB Enterprises, Inc., Grenada Private Power Limited and the National Insurance Scheme:

a) Sale of electricity - NIS	<u>210,405</u>	<u>241,900</u>
b) Management services- WRB Enterprises, Inc.	<u>600,000</u>	<u>600,000</u>
c) Payment of dividends:		
NIS	<u>1,146,516</u>	<u>1,146,516</u>
Grenada Private Power Limited	<u>4,940,000</u>	<u>4,940,000</u>

ii) Compensation of key management personnel of the Company:

Salaries and other benefits	<u>3,775,048</u>	<u>3,888,082</u>
Directors' Fees	<u>310,500</u>	<u>243,250</u>
Past employment benefit provisions	<u>496,313</u>	<u>491,820</u>
Loans receivable from key management personnel	<u>12,697</u>	<u>39,469</u>



GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER, 2020  
(continued)

21. TAXATION

*Current year*

Income taxes in the statement of comprehensive income vary from amounts that would be computed by applying the statutory tax rate for the following reasons:

	2020 \$	2019 \$
Profit for the year before taxation	<u>21,959,446</u>	<u>34,400,337</u>
Tax at applicable statutory rate (28%)	6,148,645	9,632,094
Tax effect of items that are adjustable in determining:		
Tax effect of hurricane reserve	(560,000)	(560,000)
Tax exempt income	(53,730)	(60,897)
Effect of expenses not deductible for tax purposes	<u>(1,310,607)</u>	<u>(1,678,839)</u>
Provision for taxation	<u>4,224,308</u>	<u>7,332,358</u>

*Deferred tax liability*

Balance at the beginning of the year	(10,227,650)	(6,763,169)
Deferred tax charge	<u>(1,628,924)</u>	<u>(3,464,481)</u>
Balance at the end of the year	<u>(11,856,574)</u>	<u>(10,227,650)</u>

The deferred tax liability consists of the following components:

Delayed tax depreciation	<u>42,344,906</u>	<u>36,527,320</u>
Deferred tax liability at 28%	<u>(11,856,574)</u>	<u>(10,227,650)</u>

**GRENADA ELECTRICITY SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020**

(continued)

**22. CONTINGENT LIABILITIES**

At the statement of financial position date, the Company was contingently liable to the Government of Grenada for customs bonds in the amount of \$300,000.

**23. DIVIDENDS**

During the year ended December 31<sup>st</sup>, 2020, a dividend of 52 cents per ordinary share amounting to \$9,880,000 was declared and paid.

**24. FINANCIAL RISK MANAGEMENT**

The Company's activities expose it to a variety of financial risks: credit risk, operational risk, liquidity risk and market risk (including foreign exchange and interest rate risk). The Company's overall risk management policy is to minimise potential adverse effects on its financial performance and to optimise shareholders value within an acceptable level of risk. Risk management is carried out by the Company's management under direction from the Board of Directors.

The Board of Directors has established committees which are responsible for developing and monitoring the Company's risk management policies in their specified areas. These committees report to the Board of Directors on their activities. The committees and their activities are as follows:

**Audit Committee**

The Audit Committee has oversight for the integrity of the financial statements and reviews the adequacy and effectiveness of internal controls and risk management procedures.

**Loans Committee**

The Loans Committee is comprised of members of management who are responsible for approving staff loan applications and ensuring that only those that meet the requirements set out in the Staff Loan and Procedure Policy are approved.



**GRENADA ELECTRICITY SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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(continued)**

**24. FINANCIAL RISK MANAGEMENT (continued)**

The Company's exposure and approach to its key risks are as follows:

***Credit risk***

Credit risk is the risk of financial loss to the Company if a customer or counter-party to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk arises principally from the Company's trade receivables and financial investments.

Credit risk with respect to trade receivables is substantially reduced due to the policies implemented by management. Deposits are required from all customers upon application for a new service and management performs periodic credit evaluations of its general customers' financial condition.

With respect to credit risk arising from other financial assets, that of cash and cash equivalents and financial investments, the Company places these funds with highly rated financial institutions to limit its exposure.

The Company's maximum exposure to credit risk equals the carrying amount of its financial assets. Based on the above, however, management does not believe significant credit risk exists at December 31<sup>st</sup>, 2020.

***Operational risk***

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk to balance the avoidance of financial losses, damage to the Company's reputation with overall cost effectiveness, and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

**GRENADA ELECTRICITY SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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(continued)**

**24. FINANCIAL RISK MANAGEMENT (continued)**

***Operational risk***

- Requirements for appropriate segregation of duties, including the independent authorization of transactions.
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance as outlined below.

***Fair value of financial assets and liabilities***

Fair value amounts represent estimates of the amounts at which the instrument could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale.

The fair values of financial assets and liabilities their carrying values due to the short-term maturities of these instruments.

***Insurance risk***

Prudent management requires that a company protect its assets against catastrophe and other risks. In order to protect its customers and investors, the Company has fully insured its plant and machinery, buildings, computer equipment and furniture against substantially all perils. The Company's Transmission and Distribution systems are uninsured and to mitigate this risk, the Company sets aside funds on an annual basis in a hurricane reserve.

**GRENADA ELECTRICITY SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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(continued)

**24. FINANCIAL RISK MANAGEMENT (continued)**

*Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management monitors the Company's liquidity reserve, which comprises overdraft facilities and cash and cash equivalents (Note 11), on the basis of expected cash flows and is of the view that the Company holds adequate cash and credit facilities to meet its short-term obligations.



GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
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(continued)



24. FINANCIAL RISK MANAGEMENT (continued)

The table below summarises the Company's liquidity position:

Balance at 31 <sup>st</sup> December, 2019	Current	31-60 days	61-90 days	Over 90 days	Total
	\$	\$	\$	\$	\$
<b>Current Assets</b>					
Cash and cash equivalents	16,600,292	-	-	-	16,600,292
Loans and receivable financial assets	3,030,979	-	-	31,406,225	34,437,204
Trade and other receivables	20,896,669	3,231,183	259,989	1,532,292	25,920,133
Inventories	<u>20,609,568</u>	-	-	-	<u>20,609,568</u>
	<u>61,137,508</u>	<u>3,231,183</u>	<u>259,989</u>	<u>32,938,517</u>	<u>97,567,197</u>
<b>Current liabilities</b>					
Current portion of lease liabilities	246,337	-	-	-	246,337
Short-term borrowings	-	92,950	1,001,042	3,281,975	4,375,967
Trade payables and accrued expenses	12,211,806	1,314,170	509,457	8,504,975	22,540,408
Consumers' advances for construction	-	-	-	7,282,723	7,282,723
Provision for retirement benefits	682,800	-	-	-	682,800
Provision for profit sharing	-	-	-	6,470,412	6,470,412
Provision for income tax	-	-	<u>1,466,392</u>	-	<u>1,466,392</u>
	<u>13,140,943</u>	<u>1,407,120</u>	<u>2,976,891</u>	<u>25,540,085</u>	<u>43,065,039</u>
<b>NET LIQUIDITY SURPLUS/(DEFICIT)</b>	<u>47,996,565</u>	<u>1,824,063</u>	<u>(2,716,902)</u>	<u>7,398,432</u>	<u>54,502,158</u>

GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020  
(continued)



24. FINANCIAL RISK MANAGEMENT (continued)

Balance at 31 <sup>st</sup> December, 2020	Current	31-60 days	61-90 days	Over 90 days	Total
	\$	\$	\$	\$	\$
<b>Current Assets</b>					
Cash and cash equivalents	9,727,362	-	-	-	9,727,362
Income tax prepaid	-	-	809,300	-	809,300
Retirement benefits prepaid	63,585	-	-	-	63,585
Loans and receivable financial assets	3,037,064	-	-	33,415,086	36,452,150
Trade and other receivables	7,659,053	1,667,031	116,486	7,777,440	17,220,010
Inventories	<u>26,183,870</u>	-	-	-	<u>26,183,870</u>
	<u>46,670,934</u>	<u>1,667,031</u>	<u>925,786</u>	<u>41,192,526</u>	<u>90,456,277</u>
<b>Current liabilities</b>					
Current portion of lease liabilities	26,764	26,764	26,764	240,874	321,166
Short-term borrowings	-	92,950	1,001,042	3,281,975	4,375,967
Trade payables and accrued expenses	10,401,565	258,499	1,190,428	9,049,021	20,899,513
Consumers' advances for construction	-	-	-	7,140,290	7,140,290
Provision for profit sharing	-	-	-	<u>4,764,043</u>	<u>4,764,043</u>
	<u>10,428,329</u>	<u>378,213</u>	<u>2,218,234</u>	<u>24,476,203</u>	<u>37,500,979</u>
<b>NET LIQUIDITY SURPLUS/(DEFICIT)</b>	<u>36,242,605</u>	<u>1,288,818</u>	<u>(1,292,448)</u>	<u>16,716,323</u>	<u>52,955,298</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2020  
(continued)

24. FINANCIAL RISK MANAGEMENT (continued)

*Market risk*

(i) *Foreign exchange risk*

Foreign exchange risk is the potential adverse impact on the Company's earnings and economic value due to movements in exchange rates.

The Company has a limited exposure to foreign exchange risk arising primarily from the purchases of plant, equipment and spares from foreign suppliers that are mainly transacted in United States dollars, which has a fixed exchange rate.

The Company has not entered into forward exchange contracts to reduce its exposure to fluctuations in foreign currency exchange rates.

(ii) *Interest rate risk*

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The company holds primarily fixed rate financial instruments and is therefore not significantly exposed to interest rate risk.

*Capital risk management*

The Company's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, as well as to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may, subject to Board approval as appropriate, vary the dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company also monitors capital on the basis of a target debt-to-equity ratio of 1.25:1 or less, indicating a strong financial position and financial flexibility. This ratio is calculated as total borrowings divided by total equity.





GRENADA ELECTRICITY SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
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(continued)

24. FINANCIAL RISK MANAGEMENT (continued)

*Capital risk management (continued)*

The debt-to-equity ratios are shown below:

**Capital structure**

	2020 \$	2019 \$
Total borrowings (Note 14)	<u>32,283,458</u>	<u>36,659,425</u>
Shareholders' equity	<u>106,459,945</u>	<u>100,233,731</u>
Debt to equity ratio	<u>0.30:1</u>	<u>0.37:1</u>

25. SUBSEQUENT EVENTS

*Events after the reporting period*

The duration and extent of the COVID-19 pandemic and related financial, social and public health impacts of the pandemic are uncertain. As such, the actual economic events and conditions in the future may be materially different from those estimated by the Company at the reporting date. No matters have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Company. The Company will continue to closely monitor the situation in order to plan its response, if necessary.